NOTES

BUYING SOUTH AMERICAN GOODS AS A FACTOR IN SELLING TO SOUTH AMERICA

Along with all the other ways proposed to increase United States trade with South America, it generally is said that if this country wishes to sell more wares to South American countries, it must buy more from them. The claim is backed up by the argument that it is natural for any people to buy most largely from those foreign markets to which their own products can be sent in exchange, and any doubting Thomas who may appear is asked to consider the trade activities of our great European rivals. Those countries, we are told, are the big buyers of South American products and, therefore, imports of British, German, and French goods have exceeded those from the United States in most South American markets.

If the argument is sound, facts to prove it ought to be found readily. For instance, if the United States takes 30 per cent and Germany 20 per cent of Brazilian exports, one would expect to find about the same proportion of United States and of German goods in the import trade, provided buying is the determining factor in selling. Similarly, if Brazilian exports during the last thirty years have increased threefold to the United States and only twofold to Germany, something of the same rate of progress should appear in growth of imports from those two rivals.

A survey of the trade between some of the South American countries and the four great competitors, as given in Table I, will show whether buying wares from these countries has determined the extent of sales to them. Argentina, Brazil, Chile, and Venezuela are chosen because they are typical of the different positions, economic conditions and commercial relations existing in South America.

Some of the most significant facts shown by these statistics may be noted as follows:

1. For many years the United States has bought much more from Brazil than from Argentina, and as recently as the 1880's sold to Brazil more than twice as much as to Argentina. Lately, however, the Argentine market for United States wares has been 50 per cent larger than the Brazilian, in spite of the fact that the United States is the best market

for Brazil and a poor market for Argentina, taking more than four times as much from one as from the other.

2. France, for a long time, has bought more than the United States from Argentina, but France steadily has lost ground when compared with the United States in sales to Argentina; and where French goods once stood first in Argentine imports, seven-fold greater than imports from this country, they are now far outranked by United States wares.

TABLE I

DIVISION OF TRADE OF TYPICAL COUNTRIES, 1881–85 AND 1908–12

(Average Annual Values for Five-Year Periods; Values Expressed in Thousands of Dollars)

	Argentina	Brazil	Chile	Venezuela
I. *United States:*				
1881–85 Exports to	$ 3,737	$ 8,734	$ 2,346	$ 2,563
1881–85 Imports from	5,107	48,320	964	6,246
1908–12 Exports to	47,112	31,126	12,897	4,303
1908–12 Imports from	24,221	115,611	20,896	7,243
II. *United Kingdom:*				
1881–85 Exports to	22,803	32,757	11,476	2,494
1881–85 Imports from	5,648	27,006	14,296	1,251
1908–12 Exports to	106,034	63,249	35,254	3,864
1908–12 Imports from	90,615	49,143	51,237	1,457
III. *Germany:*				
1881–85 Exports to	2,385	3,206	1,106	Not specified
1881–85 Imports from	7,579	798	3,045	
1908–12 Exports to	54,667	37,336	28,496	2,535
1908–12 Imports from	43,445	41,170	25,201	2,673
IV. *France:*				
1881–85 Exports to	25,323	15,719	6,021	1,375
1881–85 Imports from	34,430	21,464	4,420	3,985
1908–12 Exports to	33,314	21,312	6,246	1,292
1908–12 Imports from	36,283	25,974	5,992	5,706

3. The United States generally has bought twice as much as the United Kingdom from Brazil, but after more than a quarter of a century of this condition, Brazil still buys more than twice as much from British as from United States merchants.

4. Thirty to forty years ago German purchases from Brazil were of no account when compared with those made by the United States, and now they are only a little more than one-third as large. Yet German goods sent to Brazil, once less than two-fifths as valuable as those from the United States, now exceed ours by several millions of dollars annually.

5. Purchases from Chile have increased since the period 1881–85 in about the same way for both the United States and Germany. At the

outset the United States sold to Chile more than twice as much as Germany. Now the tables are turned.

6. Venezuelan exports generally have gone in largest amounts to the United States and France. The former, for example, has taken five times and the latter two to three times as much as the United Kingdom. Yet Venezuelan imports from the United Kingdom generally have rivaled closely those from the United States and have been two or three times as great as the imports from France.

7. During the period covered by the statistics, purchases from the four South American countries increased by $107,000,000 for the United States and $100,000,000 for Germany, but sales from the United States increased by only $78,000,000 as against $116,000,000 for Germany.

8. From the four South American countries considered, the United States bought, on the average, annually in the period 1908–12, $55,000,000 in excess of what Germany bought, yet German sales were $28,000,000 in excess of those by the United States. When compared with the United Kingdom, the United States is only $25,000,000 behind in purchases of exports, but is more than $110,000,000 behind in value of imports furnished to these countries.

Other similar points may be drawn from the table, but these serve to show clearly enough that there has been *no direct relation* between the value of goods bought from a South American country and the value of goods sold to that country by any of the great commercial rivals. The indirect influences of buying or selling then must be the only lines of connection. The chief indirect ways in which buying may influence chances to sell are through the effects of active buying on general prosperity in the producing regions, and the effects of large cargo offerings on shipping facilities.

It is self-evident that the more readily and profitably Brazil, for example, can sell large, and larger quantities of coffee, rubber, cacao, and other staples the greater the values of foreign wares which Brazil can afford to import for consumption. But if the greater facility and profits in disposing of larger exports are due mainly to active demands from the United States, there is, as sad experience proves, absolutely no reason to expect that the increased importations will come mainly from the United States. In fact, it is not at all impossible that the marked benefits of trade prosperity, for which the United States is largely responsible, may go entirely to the European manufacturer.

Shipping facilities and freight rates are affected by the extent to which full cargoes are to be had in both directions between countries

trading with each other. For example, movement of cargo only in one direction between the United States and Brazil would make unprofitable any return service, with the result that rates charged on that one-way traffic probably would be higher than if direct return cargoes were assured; and the means of communication for passengers and mails would be unsatisfactory for the best development of trade relations. The triangular service formerly maintained by way of European ports to South America demonstrated the disadvantages of round-about routing in one direction.

It does not follow, however, that the development of satisfactory direct shipping facilities in both directions between the United States and South American ports depends solely on the movements of goods between any two terminal points. An illustration may be drawn from the service between New York and Rio de la Plata ports in Uruguay and Argentina. The location of the logical routes takes vessels in this service close to nearly all the important ports of eastern South America. Allowance must be made, therefore, for the chance of carrying cargo between Argentina and Brazil, between Argentina and Brazil and the West Indies, and between all of them and the United States before answering the question as to availability of full cargoes in both directions. Conditions of exactly the same sort appear in the shipping between the United States and other parts of South America, and in some cases this way traffic is no less important than the through traffic.

It is argued, of course, that stopping at several ports, as between New York and Buenos Aires, makes the service slow, about three to four weeks, and that trade to Argentina, for example, could be developed more readily if the shipper at this end were in closer touch, say 15 to 17 days, with the Argentine market. This, it is believed, would be possible if there were large enough offerings of cargo in each direction, by inaugurating a through service with larger and faster ships. Increasing the speed of the vessels, however, increases costs of operation without any proportionate increase in earnings, unless there is a large high-class passenger traffic to be expected. If the costs of fast service had to be borne by freight earnings, as largely would be the case in South American relations, cargo rates probably would be prohibitive for some wares. It certainly is not to be expected, for example, that shipments of Argentine cereals would be encouraged by such shipping conditions, and most of the wares exported from South America are of about that type.

It appears then that United States purchases in Brazil may affect shipping facilities not only to Brazil but also between Argentina and this

country, because of the fact that ships can load with Argentine flour and meat for Brazilian ports and there take on coffee or rubber for New York, thus carrying full cargo all the way. But it is not apparent that this buying affects the extent of sales of United States wares either in Argentina or in Brazil.

The final point to consider is what South America has to sell, how much of these wares the United States now imports, and what part of these imports come from South America. Table II shows the values for recent years.

TABLE II

SOUTH AMERICAN STAPLE EXPORTS AND THE UNITED STATES MARKET

(Average Annual Values 1909–13, in Thousands of Dollars)

Wares	Approximate Total Exports from South America	Imports to United States from all Sources	Imports to United States from South America
Coffee	$215,000	$95,132	$81,873
Cereals	157,500	4,154	243
Rubber	97,000	84,443	35,442
Nitrate	97,000	16,542	15,766
Wool	59,000	37,655	6,519
Hides and skins	50,000	95,708	21,747
Linseed	40,000	10,376	3,597
Meats	27,800	3,731	351
Tin	20,000	38,838	2
Cacao	17,500	14,820	4,258
Copper	14,600	44,414	9,372
Chemicals	14,000	68,104	4,282
Cotton	10,600	19,484	915
Sugar	9,000	96,680	1,436
	$829,000	$632,091	$185,813

So far as mere values are considered, in more than half these products the United States already is importing from all sources nearly or quite as much as all South America has to sell. But as regards the greatest of the exports, coffee, cereals, rubber, nitrate, and wool, the South American production is far in excess of what the market of the United States requires. Although for most of the other exports South America would need no other market than that of the United States, it is unlikely that the United States consumer in every case would find the South American product the best to buy. Nearer sources of supply, better prices, special qualities, and other reasons might make buying elsewhere more advisable. On the other hand, if the South American product were in every case the best to fill the needs of the United States consumer, that in itself would

not in any way create a corresponding advantage for United States wares in the South American market. For example, it really approaches absurdity to argue, because the United States might buy all of the South American tin, that, as a result, Bolivia, the producer, would turn to this country for most of its imports. Yet this is only a specific application of the general proposition.

Experiences in Brazil, in Chile, in all South America, in fact, indicate that buying is one of the least factors in affecting chances to sell. If qualities of goods, prices, credits, details of packing and shipping, and the like are properly looked after by United States exporters, the "selling more to South America" will be realized to the complete satisfaction of all.

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